

**40-234. Unearned premium reserves of insurance companies; domestic title insurance companies; noncancelable policies, additional reserves.** Unless otherwise specifically provided in this code, the unearned premiums or reserves of any insurance company shall consist of a sum equal to a pro rata amount of the premiums received on all unexpired risks. The "sum of the digits" or "rule of 78" unearned premium reserve method may be used only on policies where the exposure to risk is decreasing in equal amounts during the contract period and where premium refunds on such policies would be computed using only the "sum of the digits" or "rule of 78" method if such method places a sound value on its liabilities. Any domestic title insurance company engaged exclusively in the business of insuring titles to real estate shall establish and maintain, in addition to a special reserve in adequate amount to cover its liability as to losses incurred under policies issued by it, a reserve for unearned premiums on its policies and guarantees in force and such reserve shall, at all times and for all purposes, be considered a separate and distinct trust fund and shall be deemed and shall constitute unearned portions of the original premiums and shall be charged as a reserve liability of the insurer in determining its financial condition. The unearned premium reserve shall be retained and held by such domestic title insurance company for the protection of the policyholders' interest in policies which have not expired. Except upon liquidation, dissolution or insolvency, assets equal to the amount of such reserve shall not be subject to distribution among depositors or other creditors or stockholder of such title insurance company until all claims of policyholders or holders of other title insurance contracts or agreements of such domestic title insurance company have been paid in full and all liability on the policies or other title insurance contracts or agreements, whether contingent or actual, has been discharged or lawfully reinsured. Income from the investment of the amount of such reserve shall be the unrestricted property of such title insurance company. The amount of the unearned premium reserve of every such domestic title insurance company shall be computed in accordance with the provisions of this section. Any such company, other than companies engaged exclusively in the business of insuring titles to real estate, issuing noncancelable policies shall, in addition to the reserve required under this section, accumulate an additional reserve of 3% per annum on all premiums received on such policies, and such reserves required shall be held and regarded as an absolute liability of the company.

**History:** L. 1927, ch. 231, 40-234; L. 1931, ch. 203, § 1; L. 1935, ch. 197, § 1; L. 1971, ch. 159, § 1; L. 1979, ch. 136, § 1; L. 1985, ch. 159, § 1; July 1.